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The German Case for the Pipeline

The dispute over the West European gas pipeline deal with the Soviet Union has reached a degree on both sides of the Atlantic that should have been avoided. This family dispute—and it isn't more than that—now has to be settled in patient talks between the governments of the Western alliance. Public dispute does not benefit anybody but Moscow.

For years, the German government has talked about the gas pipeline deal with this and the previous American administration. Patiently, we tried to explain that it does not make the West Europeans dependent on the Soviet Union, either economically or politically; that it does not unilaterally benefit the Soviet Union; and that it is in the interest of Western Europe. We had reason to believe that the U.S. government, though not enthusiastic about this deal, would understand the European—especially the German—arguments that support such an agreement with Moscow.

This has turned out to be erroneous. The West European reaction to the embargo decision, however, should give the White House cause to reconsider. Above all, the harsh words of President Reagan's closest ally, British Prime Minister Margaret Thatcher, are an alarming signal of discontent within the alliance. The West Europeans are in agreement: the application of the principle of extraterritoriality in U.S. government decisions is unacceptable to us. It violates our sovereignty. Therefore, we have to reject it.

This is the unanimous position in Bonn, London, Paris and Rome—despite the content and clauses in civil law contracts between European and U.S. companies. Such private agreements, the concrete content of which still would have to be examined carefully, cannot and must not alter the legal basis of international relations between

supplies will come from there. That will be about 5 to 6 percent of our total energy consumption. A disruption of deliveries can, of course, never be fully excluded, even for technical reasons. But for such an event we are well prepared: we have sufficient gas storage capacities; we have a flexible West European gas pipeline network, which would allow us to switch to other resources in the western parts of Europe; and we have the possibility of converting quickly from gas to coal and oil in the case of an emergency.

For over 60 percent of its energy consumption, the Federal Republic of Germany depends on imports. The more we can diversify our imports, the greater our security of supply. So, the deliveries from the Soviet Union will contribute to this. According to our findings, there is no need to worry.

Apart from that, we look for further imports from other countries. The percentage of Soviet primary energy supplied will decrease with the exploration and production from new sources in other countries. But such new sources for our gas supply will not be available before 1990, especially not in Norway.

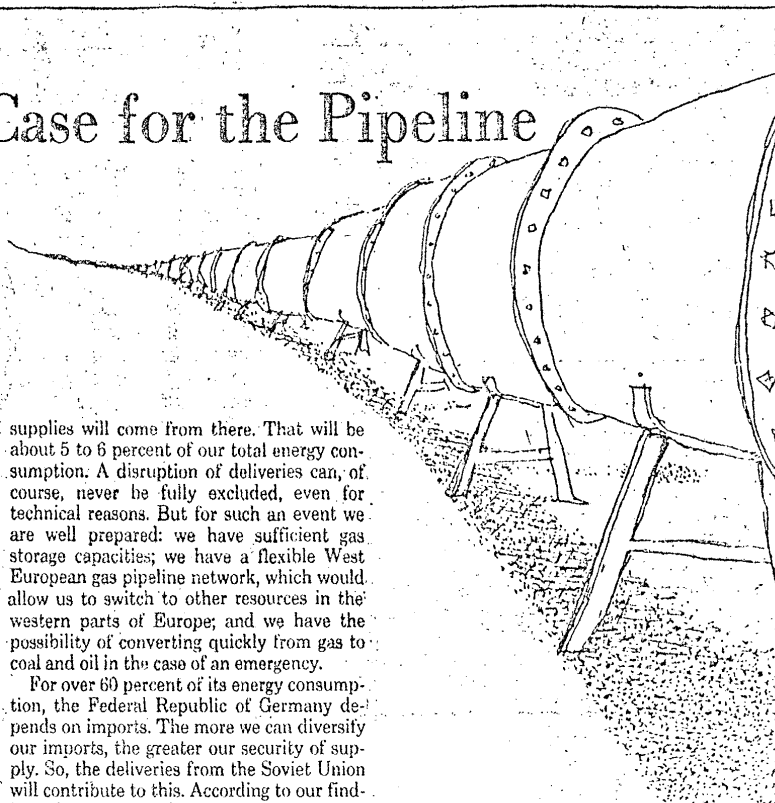
In the United States, it is often thought that credits for the construction of the pipeline are subsidized by the German govern-

Thus, there is nothing suspicious in this deal. This should be understood everywhere. Especially in the question of credit subsidies to Communist countries, there is no difference between Bonn and Washington.

Therefore, we are in full agreement with the communique of the Versailles Summit. This is why I have striven in many rounds of negotiations during recent weeks to reach an agreement within the Organization for Economic Cooperation and Development to increase interest rates and to shorten maturities for credits to the Soviet Union. We finally succeeded: all OECD countries—including Japan—have reached a consensus according to which minimum interest rates, which were only 8.25 percent last year, will now be raised to 12.15 percent. This is an increase of about 50 percent, and the maturities are decreased from 8 to 5 years. I believe that this is the better way to indicate to Moscow that the Western reply to Poland is not "business as usual."

We have no differences of opinion on the events in Poland. The declaration of NATO in January 1982 was unanimous. But we do doubt that embargos are an adequate answer. In my opinion, this applies to both the pipeline and the grain!

The writer is the minister of economics of the Federal Republic of Germany.



By Tom Gibson.

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states. Above all, they must not retroactively block the execution of contracts that were concluded between the European companies and the Soviet Union long before the events in Poland. We shall have to continue talking about that with the U.S. administration.

In America, it is asked whether by this gas deal Western Europe, and especially the Federal Republic of Germany, will not become dangerously dependent on the Soviet Union. In Germany, we have studied this issue extensively and carefully; in 1979, the government arrived at the conclusion that there is no threat of such a dependence.

At the peak of gas deliveries from the Soviet Union, roughly 30 percent of our gas

ment. This is not true. The government does not grant credits or interest subsidies, either to the Soviet Union or to any other Eastern Bloc country. The credit arrangements are made by private banks, without any state support. The relatively low interest rate of 7.8 percent that was officially agreed upon equals an effective interest rate of 11.2 percent, and thus the market rate prevailing at the time of the agreement. The difference between the two rates is made up by a lower gas price charged by the Soviet Union and by higher prices of German goods supplied for the construction of the pipeline. That is a private agreement; the German government had no right and no reason to intervene.